

OFFICE OF THE ATTORNEY GENERAL
STATE OF ARIZONA

TERRY GODDARD
ATTORNEY GENERAL

June 3, 2004

The Honorable Spencer Abraham
Secretary, United States Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Secretary Abraham:

I am writing to renew my request for a meeting with you to discuss the gasoline issues affecting Arizona consumers. I made the same request in my letter of April 14, 2004, as well as in my original letter of February 26, 2004. I have yet to receive the courtesy of a reply.

Specifically, I requested that your office (1) form a task force to investigate the supply and the over market gasoline pricing issues in Arizona and other Western States and prepare recommendations to address and remediate the problem; and (2) investigate gasoline refining policies in the West, including the blending of "clean fuel" and the lack of storage capacity.

Congressman Doug Ose held a field hearing in Las Vegas on May 28 focusing on the regional gasoline issues facing California, Nevada and Arizona residents. One conclusion from this hearing is that greater federal-state communication and cooperation are needed to address gasoline supply and pricing problems.

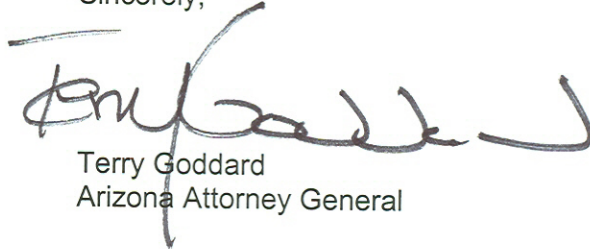
I will be joining Attorneys General Mark Bennett (Hawaii), Charlie Crist (Florida) and Bill Lockyer (California) at the National Association of Attorneys General summer meeting on June 16 to discuss how the Western States Attorneys General can address these issues. I would like to include the position of the Department of Energy in that discussion. There is a possibility the Attorneys General will decide to hold our own hearings in Arizona and California later this summer.

Arizona consumers continue to pay well above the national average gasoline prices. Gasoline prices in Phoenix have risen 40 cents since February 2004, from \$1.77 to \$2.17 per gallon. Further, Phoenix prices remain substantially above the national average. At times over the last year, Phoenix gasoline prices have exceeded the national average by 30 cents. These prices are threatening our economic recovery because businesses are factoring in higher transportation costs, which are passed onto Arizona consumers. This is a regional issue, and the effects Arizona consumers are experiencing are mirrored in our neighboring states.

Last month William Kovacic of the Federal Trade Commission commented that regional fuel requirements (such as the cleaner burning fuel used in Arizona) may limit supply, and that a more integrated approach would be helpful (Bloomberg News, May 17, 2004). I agree with Mr. Kovacic, and believe a joint federal-state task force would provide such an integrated approach to address the Western gasoline price and supply problems.

I am willing to accommodate your schedule to ensure we are able to sit down and discuss what options might be available to best coordinate state efforts with the Department of Energy.

Sincerely,

A handwritten signature in dark ink, appearing to read "Terry Goddard", with a long horizontal flourish extending to the right.

Terry Goddard
Arizona Attorney General